

# FINANCIAL SERVICES INDUSTRY NEWS ON OPPORTUNITIES & SUPPORT MEASURES

## INSURANCE

### Hong Kong Insurance Industry Records Growth for the First Half of 2020

On 31 August 2020, the Insurance Authority released provisional statistics of the Hong Kong insurance industry for the first half of 2020, indicating a growth of total gross premiums by 6 percent to \$313.7 billion over the corresponding period in 2019. Major highlights are as follows:

#### Long term business

Total revenue premiums of in-force long term business were \$280.3 billion (increased by 5.6 percent):

- Individual Life and Annuity (Non-Linked) business (increased by 2.5 percent)
- Retirement Scheme business (increased by 58.7 percent)

#### General business

The gross and net premiums of general insurance business were \$33.5 billion (increased by 9.7 percent) and \$22.8 billion (increased by 8.8) respectively:

- Direct Business: the gross and net premiums were \$24.6 billion (increased by 5.3 percent) and \$17 billion (increased by 4.1 percent) respectively
- Pecuniary Loss Business: gross premiums surged by 72.9 percent
- General Liability Business: expanded by 7.3 percent
- Motor Vehicle Business: gross premiums edged up by 4.3 percent
- Reinsurance Inward Business: the gross and net premiums were \$8.9 billion (increased by 23.8 percent) and \$5.8 billion (increased by 25.4 percent) respectively

The overall underwriting profit rose from \$432 million to \$624 million, driven by direct business which generated an underwriting profit of \$756 million (increased by 35.5 percent) due to improved performances of Accident & Health business and Employees' Compensation business.

Source: [www.ia.org.hk](http://www.ia.org.hk)



## ASSET AND WEALTH MANAGEMENT



### Highlights of Asset and Wealth Management Activities Survey 2019

On 25 August 2020, the Securities and Futures Commission (SFC) released a report on its annual Asset and Wealth Management Activities Survey (AWMAS), which found that the assets under management (AUM) of the asset and wealth management business in Hong Kong amounted to \$28,769 billion (US\$3,694 billion) as at 31 December 2019. Highlights of the survey include:

- the AUM of the asset management and fund advisory businesses conducted by licensed corporations and registered institutions increased by 22 percent year-on-year to \$20,040 billion (US\$2,574 billion)
- the AUM of the private banking and private wealth management business grew by 19 percent to \$9,058 billion (US\$1,163 billion)
- the number of licensed corporations carrying out asset management (Type 9 regulated activity) in Hong Kong increased by 10 percent to 1,808

“Hong Kong’s asset and wealth management business posted strong growth in 2019 despite the challenges facing global markets and we remain committed to further developing Hong Kong as a premier global asset and wealth management centre.” said Mr Ashley Alder, the SFC’s Chief Executive Officer. “

Source: [www.sfc.hk](http://www.sfc.hk)

## ETF MARKET

### Hong Kong-Mainland ETF Cross-listing Approved

The Securities and Futures Commission (SFC) authorised two exchange-traded funds (ETFs) to be listed on the Stock Exchange of Hong Kong (SEHK) under a scheme which will facilitate cross-listing of ETFs between markets in Hong Kong and the Mainland.

The two ETFs will each invest in an ETF approved by the China Securities Regulatory Commission (CSRC) and currently listed on the Shenzhen Stock Exchange (SZSE). The SFC also welcomes the CSRC’s approval of two ETFs to be listed on SZSE under the same scheme. They will each invest in an SFC-authorised ETF currently listed on SEHK.

The scheme will provide Hong Kong and Mainland investors with more investment opportunities and product choices through access to each other’s market. These ETFs will be listed on their respective markets under existing listing procedures.

Source: [www.sfc.hk](http://www.sfc.hk)





## INSURANCE-RELATED BUSINESSES



### Tax Concessions Bill for Insurance-related Businesses in Hong Kong Passed on 15 July 2020

The Inland Revenue (Amendment) (Profits Tax Concessions for Insurance-related Businesses) Bill 2019 was passed by the Legislative Council on 15 July 2020. The tax concessions will promote the development of specialty risk insurance businesses and assist the insurance industry in seizing new opportunities, including Belt & Road Initiative by reducing the profits tax rate by 50 percent for all general reinsurance businesses, selected general insurance businesses of direct insurers, and selected insurance brokerage businesses.

#### Details of the New Bill:

The ordinance will serve as an amendment to the Inland Revenue Ordinance by reducing the profits tax rate by 50 percent and bringing it to 8.25 percent for the following types of insurance businesses:

- All general reinsurance businesses
- Selected general insurance businesses of direct insurers
- Selected insurance brokerage businesses

The Secretary for Financial Services & the Treasury commented that the amendment would help to promote the development of Hong Kong's marine and specialty risk insurance businesses while enhancing the development of high value-added maritime services. The Ordinance would also help the insurance industry seize new opportunities in trade such as those that will arise from the Belt & Road Initiative.

The next stage of preparatory work will be advanced by the Government and the Insurance Authority and involves the formulation of specifications of implementation and the drafting of subordinate legislation. It is expected that these advancements should be able to give effect to the tax concessions by the end of the 2020 or early 2021.

Source:

[https://www.news.gov.hk/eng/2020/07/20200715/20200715\\_190753\\_593.html](https://www.news.gov.hk/eng/2020/07/20200715/20200715_190753_593.html)

## OPEN-ENDED FUND COMPANIES REGIME

### HK SFC Announces Significant Enhancements to the Private Open-ended Fund Company

The Securities and Futures Commission (SFC) concludes consultation on changes to the open-ended fund companies (OFC) regime and is further consulting on the customer due diligence requirements.

The SFC released consultation conclusions on enhancements to the OFC regime on 2 September 2020, including the removal of all investment restrictions for private OFCs. The SFC will also allow licensed or registered securities brokers to act as custodians for private OFCs.

The changes announced will put the OFC structure on a level playing field with other private fund structures in other jurisdictions.

A six-month transition period will be provided for existing private OFC custodians to make adjustments to comply with the new safekeeping requirements. The re-domiciliation mechanism will come into effect upon completion of the legislative process.

The SFC is further consulting on the customer due diligence requirements for OFCs to better align them with the practices adopted by other funds in Hong Kong.

The said proposed reforms on the OFC regime are expected to significantly increase the rate of adoption of the OFC structure and help to further cement Hong Kong's position as Asia's premier investment funds hub.

Source: [www.sfc.hk](http://www.sfc.hk)



## CONTACT US

If you would like to know more about how InvestHK's Financial Services team can help you to set up or expand your business in Hong Kong, please get in touch. Our services are free, confidential and tailored to your needs.

### Dixon Wong

Head of Financial Services

T: (852) 3107 1085

[dixonhtwong@investhk.gov.hk](mailto:dixonhtwong@investhk.gov.hk)

### Warren Ho

Senior Manager of  
Financial Services

[warrenho@investhk.gov.hk](mailto:warrenho@investhk.gov.hk)

### King Lin

Senior Manager of  
Financial Services

[kinglin@investhk.gov.hk](mailto:kinglin@investhk.gov.hk)

### Louie Lee

Senior Manager of  
Financial Services

[louielee@investhk.gov.hk](mailto:louielee@investhk.gov.hk)

### Helen Tsui

Senior Manager of  
Financial Services

[htsui@investhk.gov.hk](mailto:htsui@investhk.gov.hk)

### David Yu

Senior Manager of  
Financial Services

[davidyu@investhk.gov.hk](mailto:davidyu@investhk.gov.hk)

### Andrew Chan

Senior Manager of  
Financial Services

[andrewchan@investhk.gov.hk](mailto:andrewchan@investhk.gov.hk)

[investhk.gov.hk](http://investhk.gov.hk)

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